

Local Plan Examination Hearings February 2015

Inspector's Update

Response to Inspector Note No 3

In her note of 2 March 2015 the Inspector asked the Council to advise her of the effect of the Department for Communities and Local Government 2012 – based household projections: England, 2012 – 2037 on the calculations for the Objectively Assessed Need (OAN) and all relevant housing figures set out in the submission Herefordshire Local Plan Core Strategy.

As a result Herefordshire Council commissioned GL Hearn to consider the implications of the 2012 projections and their note is attached to this update.

The note indicates that the projections equate to 14,200 homes over the plan period (2011-31) but that it might be appropriate to consider an upwards adjustment to take account of affordable housing need and market signals (as included in the Local Housing Requirements Study Update (LHRS) (September 2014)). This would result in an assessed need of just under 15,000 homes over the plan period (as opposed to 15,400 at the lower end of the range in the LHRS).

The higher end for the OAN in the LHRS update included evidence from the economic assessment which suggested a higher housing target (16,200) might be necessary to support employment growth. The GL Hearn note suggests it would be reasonable to assume that there would be some increase (from 15,000 homes) associated with higher economic growth.

Conclusion

The GL Hearn note indicates that the new household projections provide no evidence that the Objectively Assessed Need would be higher than that set out in the LHRS Update (September 2014). In fact the note indicates that the projections have, if anything, a modest downside impact (3%).

On this basis Herefordshire Council contend that the Core Strategy target of 16,500 dwellings remains robust. It would more than meet the full Objectively Assessed Need over the plan period and provide a degree of flexibility to support higher growth and improve affordability.

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18 March 2015

Herefordshire Local Plan Examination

Note on Implications of 2012-based Household Projections

Government published 2012-based Household Projections on 27th February 2015. The projections run from 2012 to 2037.

Herefordshire Local Plan deals with a plan period from 2011 to 2031. This note summarises the results of the new Household Projections relating to this timeframe, and how this compares to the Council's evidence as presented at the examination, derived particularly from the Local Housing Requirements Study Update 2014.

The Local Housing Requirements Study (LHRS) Update considered the 2012-based Sub-National Population Projections. The new household projections are based on these. The key new information published in the 2012-based Household Projections (SNPP) are projections for future household formation (by age and sex) which are applied to the population projections.

The LHRS Update identified an Objectively Assessed Need (OAN) for housing of between 15,400 – 16,200 homes in Herefordshire (770 – 810 homes per annum). The lower end of this range aligns with the 2012 SNPP, with adjustments to improve affordability. The higher end is based on evidence from the economic analysis which suggested a higher level might be necessary to support growth in employment.

The 2012-based Household Projections, issued by Government in February 2015, indicate an increase in households of 13,715 between 2011-31. Assuming 3.8% vacant/ second homes (based on the 2011 Census data), the projections would equate to housing need of 14,200 homes (710 per annum) over the 2011-31 plan period.

2012-based Household Projections

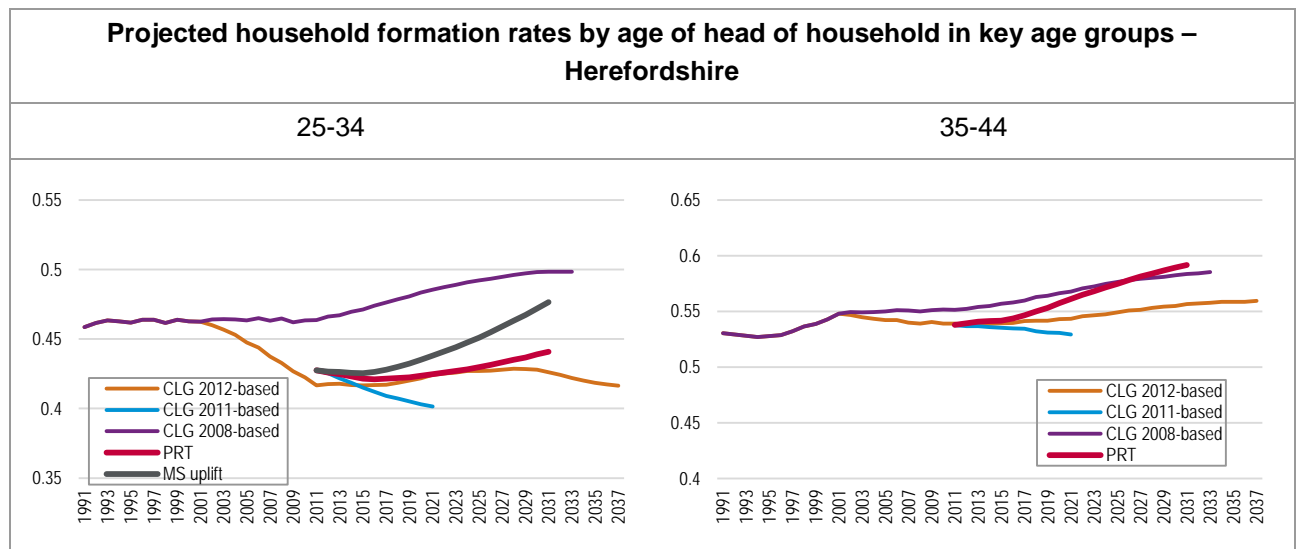
	Herefordshire
Households, 2011	78,450
Households, 2031	92,165
Household Growth, 2011-31	13,715
Dwelling Growth, 2011-31	14,236
Dwelling Growth, 2011-31 per Annum	712

The equivalent projection in the LHRS indicated a need for 735 dwellings per annum over the plan period. This was based on modelling a “part return to trend” in household formation rates. The new household

projections therefore indicate that expect household formation to be slightly more modest than was modelled in the LHRS. The difference, at 3%, however is relatively modest.

The new household projections look to provide a better set of projections for future trends in household formation than the CLG interim 2011-based Household Projections. At a national level they project stronger household growth over the period to 2021. This is particularly true for Herefordshire, where the projections show 24% stronger household growth between 2012-21 when applied to the same (2012-based) population projections. The new projections thus include stronger assumptions on household formation than the previous official projections, although they are slightly more modest than the ‘part return to trend’ approach modelled in the LHRS.

A number of academic studies were critical of the interim 2011-based Household Projections in that they expected household formation rates for younger households – particularly those in their 20s and 30s to fall. As the charts below demonstrate, this criticism cannot be levelled at the new 2012-based Household Projections. Household formation rates for these age groups are expected to be relatively stable.



The LHRS however included an upwards adjustment to household formation rates for those aged 25-34 in order to improve affordability by contributing to enhanced affordable housing delivery, a long-term improvement in the affordability of market housing and improved access for housing for younger people. The effect of this was to increase the housing need by 5% relative to the core demographic projections.

The 2012-based Household Projections expect household formation for those aged 25-34 to remain at lower levels consistent with recent trends. Taking account of the evidence of affordable housing need and from analysis of market signals in the LHRS, GL Hearn consider that it might be appropriate to consider a similar upwards adjustment to the figures in the new projections in order to improve affordability.

If a similar adjustment to the new household projections was applied, this would increase the assessed housing need to just under 15,000 homes over the plan period.

The higher end of the range for OAN described in the LHRS was based on the potential that higher housing provision might be needed to support economic growth, based on a higher growth scenario for Herefordshire's economy. It would be reasonable to assume that there is still some upside (from 15,000 homes) associated with achieving higher economic growth.

Conclusion

Overall the new household projections however provide no evidence that the OAN would be higher than that set out in the LHRS. They have if anything a modest downside impact.

The Core Strategy is based on delivering 16,500 homes over the 2011-31 plan period. It thus continues to be more than meeting the full objectively assessed need for housing.